OPINION

Revco's selloff key to revitalization

IN THE MARKET
BRUCE BUCKLEY

Revco's decision to pare down its store base and refocus on stronger markets east of the Mississippi makes a lot of sense. It is also highly reminiscent of actions taken by other troubled retailing giants who have gone on to kindle smaller but hotter competitive fires in the ashes of their former empires.

Safeway is one recent example that comes to mind. Like Revco, the Oakland, Calif.-based food/drug operator was saddled by an onerous debt load following its $4.2 billion leveraged buyout in late 1986. Once the supermarket industry's highest-volume performer, Safeway today is a far smaller yet more dynamic retailer. Its return to profitability was largely the result of a radical retrenchment back to a core of 1,100-plus stores in the chain's best markets.

Revco's retreat gives the chain its best shot to follow Safeway's lead. In the go-go years of the '70s and early '80s, Revco gobbled up stores with reckless abandon. No market seemed too distant or forbidding to discourage its insatiable appetite. Though not the only drug chain pursuing a "damn the torpedoes" growth strategy, Revco was the industry's top honcho in store count. Its downfall was as much a result of the oppressive weight of this far-flung empire as of some poorly conceived acquisition and financial decisions, most notably the Odd Lot purchase and an overly ambitious LBO plan.

Inflation no longer papers over poor performance, and the competition has developed Jaws-like teeth. The best operators focus their resources on the most viable markets and forget the rest.

The prevailing industry strategy today is much more conservative.

Now Revco has joined the group. It will use its limited resources to improve strong markets as well as to enhance crucial support systems. Though success is by no means assured, Revco has vastly improved its chances.

* * *

Now a quick report on my recent column suggesting a change in the traditional term health & beauty aids (H&BA) to health & beauty care (HBC).
The response was small but decidedly opposed to any change.

From T. Pat McLaughlin, president of HABA West, Santa Ana, Calif., came this reply:

"Being a basic traditionalist, my vote is to keep the category as it has been—H&BA. My two main reasons for this opinion are as follows:

"1. H&BA started in the drug industry. Why let a food publication change the description. Let them stick to frozen food!

"2. I'd really be in trouble. (I would have to get) a new company name, new stationery and new license plates [See photo above]. No way!"

And from pharmacist Gerald Eger, Lebanon, Ohio, this tongue-in-cheek response: "An earth-shaking issue such as this surely makes third-party reimbursement, the generic drug controversy, the budget deficit and the plight of the homeless seem so trivial!"

Ouch!

Involvement key to motivation, productivity

THE HUMAN SIDE
AL HELLER

Are retailers more skeptical than journalists? Are they too 'knowing' to consider a program for their chains that could pay huge returns on a fairly modest investment and convince line and staff people they are valued?

I'm speaking of a corporate culture change, a major undertaking that needs total support from the chairman to store clerks in order to work, yet has been proven to produce tangible performance and profits improvements in companies committed to change. Hundreds of major packaged goods companies and others have such programs underway.

Among them: Lebhar-Friedman, Inc., this newspaper's parent company—which explains why this is on my mind. When thinking about how this program, Performance Management, is being enacted where I work, I saw its tremendous retail applications.

Retail, after all, is where customers interact mostly with part-time store staffers, who are in a position to foster shopper loyalties or cause them to be severed. Store staff is turning over at greater than 20-percent rates in many markets, and with the available pool diminishing, it makes sense to involve staff more deeply in the company's mission and pay greater attention to their achievements. Don't underestimate them; assume they want to contribute to a chain's success. This proactive program may help many workers stay longer, work better and satisfy more customers.

Nowhere but in retail are the fortunes of even the most disciplined, far-flung operators so vulnerable to the performance of fairly transient part-timers. Indeed, store staffers play a large role in a chain's public image—and consequently, store-level productivity.

Performance Management has so impressed J. Roger Friedman, this company's president, that he is committed to making Lebhar-Friedman one of the nation's 50 best companies to work for. The program emphasizes and rewards positive reinforcement, personal and team initiatives, and encourages each worker to assume an active role in defining his or her duties and goals.

Some examples of how Performance Management has been working across the country:

- A Kodak division cited 60 percent more customer satisfaction and 70 percent more order-filling accuracy.
- First National Bank of Kansas City reduced customer complaints 97 percent and employee absenteeism 51 percent over a one-year period.
- Blue Cross and Blue Shield of Alabama boosted adjudicated claims per employee by almost 300 percent over three years, and slashed unprocessed 30-day-old claims by more than two-thirds over 18 months.

Are old cultural habits and negative politicking difficult to kill? You bet. Bank on five years or more of patience and diligence, then count the emotional and fiscal rewards.

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SPECIAL SAMI REPORT

Hot product categories tracked in drug stores for '89

PRODUCT TRACKING
ALAN MILLER

For the year ended Dec. 1, 1989, SAMI was tracking drug store movement in 162 product categories. Their annual retail volume grew 5.8 percent over the preceding year to $12.2 billion. Among these categories, 55 were food, 50 were dry grocery/non-foods, and the remaining 57 were health and beauty aids, which accounted for 68.5 percent of the total drug store universe measured by Arbitron/SAMI in drug stores.

Shelf-stable foods showed the highest annual growth rate, 14.8 percent; combined non-food sales rose 6.2 percent, and health and beauty aids advanced 4.1 percent during the 52-week span.

Forty of the 162 categories produced annual drug store sales greater than $100 million, topped by internal analgesics at $814.5 million. The food category with the most sales in drug stores was chocolate candy bars, at $301.8 million. Four other food categories topped the $100 million sales level: measured diet meals ($148.4 million), formula baby food (148.0 million), snack nuts ($116.4 million) and miscellaneous diet foods ($103.3 million). The most important brand in the miscellaneous diet foods category is Ross Laboratories' Ensure.

There were eight dry grocery/non-foods categories with drug store sales greater than $100 million in the period. Dry cell batteries, at $346.8 million, tops the list. This compares with sales of $425.8 million worth of batteries sold through food stores. Ranking second is disposable baby diapers, where the $227.6 million in drug store sales is less than 10 percent of the $2.4 billion sold through food stores.

There are 27 health and beauty aid categories among those on the SAMI roster (in both food and drug stores) where annual drug store sales exceed $100 million. In 15 of these, drug store volume is more than $200 million a year. In three, the drug store sales are higher than half a billion dollars: internal analgesics ($814.5 million), cold remedies ($653.7 million) and eye care products ($508.2 million).

The food category with the highest growth rate in drug stores was measured diet meals, which gained 321.4 percent as the result of dramatic growth for both Slim Fast and Ultra Slim Fast, which grew in tandem rather than one at the expense of the other (in both drug stores and food stores).

The food category with the highest growth rate in drug stores was measured diet meals, which gained 321.4 percent.

There were four additional food categories with 52-week growth rates in drug stores of more than 50 percent. Sales of brewed coffee grew 77.3 percent, though on a modest sales base in comparison with food store sales levels. Sales of packaged diet candies increased 63.6 percent, while volume for both warehoused potato chips and products and warehoused corn snacks rose 57.8 percent and 53.7 percent respectively.

There were nine dry grocery/non-food categories in which drug store dollar volume was 20 percent or more higher in 1989 than in 1988. At the top of the list was insect repellents, with a jump of 54 percent, followed by fireplace logs, bricks and mildew removers, each showing gains of 35-36 percent. High growth rates were also found among coffee filters, air fresheners, adult incontinence products and poly wrap.

Peak growth rates in a 52-week movement of health and beauty aid categories in drug stores were more modest than those found in the fastest-growing food and non-food categories but, in most cases, they occurred in high-volume categories. Among the 57 H&BA categories under scrutiny, the best forward progress was established in the categories of contraceptives and home testing kits, which were recently added to the SAMI roster because of their potential for high growth. Of the more established categories, facial preparations (+13.2 percent) and suntan lotions-suntan oil (+13.2 percent) enjoyed the highest expansion rates.

Dry grocery: non-food categories with highest dollar growth rates in drug stores

(Year ending 12/01/89 percentage gain vs. year ago)

Insect Repellents	54.0%
Fireplace Logs & Bricks	35.6
Mildew Removers	34.6
Sponges	27.9
Coffee Filters	25.7
Air Fresheners	24.0
Adult Incontinence Products	22.8
Poly Wrap	22.8

Source: Arbitron/SAMI

Dry grocery: non-food categories with highest retail dollar volume in drug stores

(Year ending 12/01/89—in millions of dollars)

Cell Batteries	$346.8
Disposable Baby Diapers	227.6
Sanitary Napkins	190.1
Soaps-Hand & Bath	148.6
Tampons	142.4
Heavy Duty Detergents	124.1
Adult Incontinence Products	110.0
Light Bulbs	104.6

Source: Arbitron/SAMI

Food categories with highest growth rates in drug stores

(Year ending 12/01/89—percentage gain vs. year ago)

Measured Diet Meals	321.4%
Brewed Coffee	77.3
Packaged Diet Candies	63.6
Warehoused Potato Chips & Products	57.8
Warehoused Corn Snacks	53.7
Dried Prunes	45.5
Packaged Candy Cov. Non-Chocolate	27.9

Source: Arbitron/SAMI

Food categories with highest retail dollar volume in drug stores

(Year ending 12/01/89—in millions of dollars)

Chocolate candy bars	$301.8
Measured diet meals	148.4
Formula baby food	148.0
Snack nuts	116.4
Diet misc. foods	103.3

Source: Arbitron/SAMI

H&BAs categories with highest dollar growth rates in drug stores

(Year ending 12/01/89—percentage gain vs. year ago)

Contraceptives	36.6%
Home testing kits	31.2
Thermometers*	24.4
Personal lubricants	16.9
Facial preparations	13.2
Suntan lotion-suntan oil	13.2
Razors and blades	12.2
First aid products	10.4
Hair setting needs	10.3

*12 week comparison, since two full years of data not yet available.

Source: Arbitron/SAMI

H&BA with highest retail dollar volume in drug stores

(Year ending 12/01/89—in millions of dollars)

Internal Analgesics	$814.5
Cold Remedies	653.7
Eye Care Products	508.2
Antacids	424.9
Cough Remedies	362.0
Laxatives & Stool Softeners	351.2
Shampoo	350.1
Synthetic Vitamins	334.7
Hair Coloring	290.8
Hand & Body Cream/Lotion	236.7

Source: Arbitron/SAMI

Bill would mandate country-of-origin mentions in advertising

WASHINGTON — Drug stores may find it difficult to promote imported merchandise if Congress enacts controversial new legislation requiring "country-of-origin" disclosures in all product advertising.

Rep. Robert Wise (D-W.Va.) introduced the measure shortly before the holiday recess and is pushing for committee hearings early this session. The bill would require retailers and other "product advertisers" to disclose the country or countries in which the component parts of a product were manufactured, as well as the country in which the product was assembled.

Ads for a hair dryer assembled in the U.S. from components made in Japan, for example, would have to include a statement such as: 'Assembled in the U.S. from Japanese parts.'

According to Wise, the majority of Americans "generally prefer domestically-made products" and will select a U.S. product over an imported one, "all things being equal." In a recent survey cited by Wise, 66 percent of the respondents said they would choose the American product over an equivalent Japanese-made product "even if it meant paying more for it." Another survey found that the number of Americans who "consciously" refused to buy foreign-made products increased from 21 percent in 1985 to 37 percent last year.

The public's partiality for products "Made in the USA" is hindered, however, because consumers "are confused and misinformed about where many products are made." Wise said. This is at least partly due to the growing proliferation of goods which are assembled in the U.S. from imported parts, he told Congress.

"As more and more finished products are made from foreign components, it becomes more difficult to discern the country of origin," he said.

TRENDS

Striving to stay competitive in photo biz

Chains weigh raising prices against narrowing profit margins

Drug retailers are taking another hard look at film prices after Kodak, Fuji and Polaroid announced price hikes in December.

Some feel they have to hold prices on top selling SKUs in some markets to stay competitive. Yet many can't afford to absorb more product cost in film, which is already hotly contested among trade classes.

The solution for some in 1990 will be to swallow the price hikes on top-selling film SKUs in order to maintain hot price points, while continuing to make margins on everyday prices of the broad brand assortment and private label.

"We have to be competitive, and give the customer the right price. Otherwise they won't come back. That's the number one issue," said Dick Gross, a buyer with Thrifty-White in Minnesota.

Gross said the chain will be absorbing price hikes on three or four of the top-selling Kodak films when it runs them on ad, hoping to recover profits on everyday prices. Thrifty-White has been promoting its private brand more often. Priced at about 30 percent less than brands, private label accounts for about one-third of the chain's film sales, Gross noted.

Carl's Drug in upstate New York will also have to curb some price points on top SKUs to stay competitive with discounters, whose everyday prices on top SKUs yield 10 to 12 percent margins, said buyer Bob Strange. Carl's generally prefers to take 15 percent margins on top movers, while staying below the $3.00 price point. Its Topcrest private label sells for $1.99 per box compared with Kodak at $2.99.

Not everyone feels the competitive urgency to bite the bullet on price.

"You can't swallow price increases. You have to [pass them] up to the consumer," said Ray Gentry, president of Crown Drugs in North Carolina.

"Some film went up 50 cents a roll. If [a merchant] was selling it at $2.77 a roll before, and Kodak is now charging $2.99, he's going to have to go up on his price."

Walgreens relies on photofinishing and value pricing on film and cameras to build traffic. Department clerks also handle front-end transactions when main checklanes are crowded, as in this Chicago store.

Videotaping popular

Film sales at Crown have been helped by consumers' migration to 35mm photography, leading to greater sales of these higher profit SKUs. Yet, said Gentry, film sales at Crown have been impacted in part by the popularity of videos. Consumers are putting more time and money into home videotaping and less into photography, he felt.

Paul Lofgren, film buyer at Bartell Drugs on the West Coast, is another who feels little leeway in absorbing costs. "We maintain a certain margin on film, and we keep this," he said

At Fantle's around the nation's capitol, buyer Gil Kidd said that the chain has flexibility to set prices because it has a lot of inventory bought at last year's prices. The drug chain bought fairly heavily in the fall, and benefited from a 3 percent fall buy-in discount offered by Kodak, which provided a 3 percent off-invoice allowance on film multipacks.

"I will pass on all that the market will bear. I have to see what the competition will do [first]," said Kidd.

'We have to be competitive, and give the customer the right price. Otherwise they won't come back. That's the number one issue.'
—Dick Gross, Thrifty-White

35mm rules the film roost

(Exposure volume by film format, 1988)

35mm	75.4%
110/126	15.1
Disc	7.4
Medium, large format	2.1

Source: Photo Marketing Association

Where consumers bought their latest still cameras

(Percentage of households)

Discount store	31.0%
Camera store	19.2
Department store	13.1
Catalog showroom	12.0
Drug store	7.6
Mail order	6.6
Combo store	2.9
Home TV shopping	0.2
One-hour photo lab	0.1
Other	6.9

Source: PMA Consumer Photographic Survey

Overhead signage denotes this photo center in a SupeRx in Phoenix, positioned at one end of a racetrack aisle and facing the front of store for high visibility.

Easy-to-use cameras drive 35mm film growth

(35mm as percent of total exposures)

1975	12.4%
1977	30
1980	34
1983	48
1987	69
1988	75.4

Source: Photo Marketing Association

Drug stores lead in photofinishing volume

(1988)

Drug	23.8%
Stand-alone minilabs	21.1
Discount stores	18.8
Supermarkets	14.1
Camera stores	10.7
Mail order	8.8
Kiosk, other	2.7

Source: Photo Marketing Association

Photo processing and film **TRENDS**

Chains weigh pros and cons of in-store photo mini-labs

Photofinishing minilabs hold the promise of adding new dimension to a drug store. So far, chains experimenting with them are seeking ways to parallel the success of Eckerd.

Longs, Genovese, Standard, Pay Less NW, and SupeRx of Phoenix are among chains that have tested or are testing minilabs, following Eckerd, which has demonstrated how the labs can be winners.

Cameras sales peak in Christmas season

(Month of latest purchase of still camera/ percentage of households)

Jan.	2.8%
Feb.	2.8
March	2.6
April	3.8
May	4.9
June	7.2
July	7.1
Aug.	6.1
Sept.	5.1
Oct.	5.0
Nov.	8.3
Dec.	44.3

Source: Consumer Photographic Survey, Photo Marketing Association.

Yet no drug chain besides Eckerd has launched a major commitment to the technology, although an in-store lab has the potential to enhance a chain's image in the photo business. Maintaining trained staff and complex equipment, and investing to build the business, are all necessary, chain merchants told *Drug Store News*. One chain, for example, found that store managers trained in the technology were forced to spend too much time running the equipment when assigned staff was absent.

Expanding minilabs

None of this has slowed down Eckerd. The chain now operates 130 minilabs throughout Texas and Florida, and has used minilabs strategically to carefully cultivate its image as a film processor. The chain advertises its labs extensively as being "extensions of" its captive out-lab service. The labs occupy dominant front-of-store positions and feature high-profile, distinctive fixturing as part of a total film/photo presentation.

This view, of course, is not universally held by chain drug retailers. "Photofinishing [using a wholesaler] is a very, very profitable business. There's no inventory, large margins, and the liability is with the outlab. When you go into minilabs, you take all that on yourself," notes one chain executive.

Rite Aid exposes customers to its film promotions twice—first in newspaper ads, and then on shelf tags by the pegged film display, as in this Washington, D.C. store.

He sees similarities between minilabs and video rentals, in that drug chains must compete with specialty outlets which can sometimes be more conveniently located and offer quicker in-and-out shopping visits. Despite such concerns, drug chains aren't far apart from other mass market outlets in using minilabs, which are processing more of consumers' film, according to the Photo Marketing Association.

Statistics on processing

Last year, 30.4 percent of consumers' film rolls were processed through minilabs. That included 3.9 percent through drug store minilabs, 3.7 percent through minilabs in supermarkets, and 6.2 percent through discount store minilabs, the PMA reported.

Both Genovese and Standard have experimented with labs in two stores this past year. Standard might open a third lab in a Richmond store this year, said Rich Lazenby, merchandise manager.

Genovese plans to revamp its two minilabs, replacing common drug store fixtures with a more distinctive set up that will include more counter space, signage and colors, and develop a film/photo department approach around the labs, said Dave Reynolds, director of photofinishing.

Front-page ads stir interest in photofinishing services, film

Polaroid "One Film" Color Print Film
2.99
Polaroid Color Print Film
Your Choice 8.99
OSCO PHOTO EXPRESS
35 Plus* Jumbo 4"x 6" Color Print Processing ORDER 2 SETS... GET 2ND SET FREE!
Save more when these coupons accompany your order!
Order 2 Sets... Get 2nd Set FREE!
Regular Size Color Print Processing
Color Enlargements 5X7 89¢
8x10 1.99
OscoDrug
BE SURE OF QUALITY FILM DEVELOPING OF THOSE IRREPLACEABLE HOLIDAY PHOTOS
ALL 35mm COLOR FILM PROCESSING ORDERS!
37% BIGGER 4" x6" JUMBO PRINTS
2 SETS of PRINTS or 1 SET of PRINTS and a FREE ROLL of KODAK FILM
PLUS...FREE 5" x7" Photo Enlargement
35mm C-41 Process
Kodacolor Gold 200
3.39
2 FOR 1 - TWO SETS OF 4"x6" JUMBO COLOR PRINTS... OR ONE SET OF 4"x6" JUMBO COLOR PRINTS & KODAK FILM...
* KODAK 35mm-110 SPEED 24 Exposure, KODAK 110-200 Speed 24 Exposure or KODAK DISC FILM 15 Exposure with FREE Color Film Offer.
Nickel Prints
35mm Color Film PROCESSING
2.19 4.19 8.99
KODAK VR DISC FILM 2.49
TOZAI VIDEO TAPE, T-120 1.99
110, 126 or Disc COLOR FILM PROCESSING
1.99 2.49 3.99
KODAK GOLD 200 FILM 3.19
POLAROID 600 PLUS, PACK of 2 16.99
FUJI FILM
2/$5
REVCO FILM DEVELOPING
Five 3-inch Reprints $1
5" x 7" Enlargement $1
8" x 10" Enlargement $2
Guaranteed Quality
Bring In Your Favorite Holiday Photos For Quality Revco Reprints.
We use only the highest quality Kodak paper and chemicals. If you're not happy with your pictures, we'll buy them back or reprint to your satisfaction.
2/$3 5" x 7" Frameless or L-Shaped
2/$5 8" x 10" Frameless or L-Shaped
COLOR PRINTS
Single Prints 2.99
Double Prints 4.99
15, 24 or 36 Exposures
Regular size prints only. Good on 110, 126, disc, 35mm Kodacolor, Fuji and other C-41 process films. One roll per envelope only. Cannot be combined with any other film developing sale offer.
LIMIT 6 ROLLS.
Prices Valid On Film Dropped Off Between Dec. 26 thru Dec. 30
One Day Service Not Available.

Drug chains often devote front-page space to high-traffic, high-value photofinishing services and conventional and instant films.

FINANCIAL

No matter who's at NI's helm, FoxMeyer runs steadily: analysts

PITTSBURGH — A move by miffed stockholders to remake the board of directors of National Intergroup is unlikely to hasten the FoxMeyer division's steady effort to attain industry performance standards, in the view of some retail analysts.

Assuming that Centaur Partners Group succeeds with a proxy vote to restack the board, it should have no more success than current management in disposing assets and improving FoxMeyer operations, analysts felt.

In response to Centaur's filing of a 13-D form, NI said that Centaur can add nothing to its ongoing business refocusing. Indeed, NI spokesman Ed Klein says that NI has slashed long-term debt by half the past year, cut headquarters staff by 50 percent, and looks for a strong profit increase from its FoxMeyer division in fiscal 1990.

The drug wholesaler, despite modest gains in the third quarter, continued to post weak results and, with an operating margin of just over 1 percent, compared poorly with the industry's 2.5 percent average. To report significant profit improvements, NI relied on special charges.

"I'm not sure that a new management would do discernibly better. This is not an opportune time to sell any of the key divisions of National Intergroup," said John Tumazos, an analyst with Donaldson, Lufkin and Jenrette, referring to NI's effort to sell its steel and aluminum businesses.

Centaur declared it owns 16.53 percent of shares and will seek shareholder endorsement to increase the number of directors from 12 to 15 to gain a majority of the board. The group's 13-D said it believes that a higher value can be most quickly realized by selling some or all of the assets.

Aldo Mazzaferro, analyst at C.J. Lawrence, pegged NI's breakup value at $26 a share. NI closed at $16 Feb. 2 on the New York Stock Exchange, and has climbed only up to $20.25 in the last 52 weeks. The drug company, Mazzaferro estimates, could fetch $490 million, without buying debt. At 20 percent of its revenue base, that's "a pretty reasonable value," he said.

NI reported third quarter and nine month profits that were inflated by special charges, tax-loss carry forwards, and non-cash-generating equity earnings. Net income for the third quarter was $30.7 million on sales of $717.7 million. That compares with a $22.5 million net in last year's quarter on sales of $667.5 million. Before special charges, NI posted a $13 million loss.

FoxMeyer Drug Co. operating income before goodwill in the third quarter was $7 million on sales of $622.1 million, compared with $5.8 million profit on sales of $569.8 million in last year's third quarter.

"The numbers have shown modest improvement, but nothing like you would need [to stay competitive]," said Mazzaferro.

Hikes in 1st-qtr. net, sales at Med Shoppe

ST. LOUIS — Net earnings increased 20 percent, to $2.0 million, for Medicine Shoppe's 1st quarter ended Dec. 31. Sales reported by franchised pharmacies increased 18 percent, to $122.7 million, and franchise fees increased 19 percent for the quarter.

Higher 2nd-qtr. results are posted by Staples

NEWTON, Mass. — Centralized distribution and high in-stock levels helped Staples, Inc. post higher sales and earnings during its second quarter, and contributed to double-digit comparable store sales gains, the company said.

For the quarter, Staples earned $1.5 million on sales of $49.4 million. The earnings include a $500,000 credit for a net operating loss carry-forward, and compare to a $1.5 million loss for the same period last year. The sales figures are 75.5 percent higher than last year's $28.2 million.

Thomas G. Stemberg, chairman and ceo, noted that the chain's centralized distribution has helped control shrink, labor, freight and administrative expenses and reduced goods' cost. A "closed-loop direct marketing system" has affected marketing efficiencies and helped the chain gain share in competitive markets, he added.

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Vol. 12, No. 4 Feb. 19, 1990

California Lottery regional insert appears between pp. 44-45.

MARKET DIARY:

Largest Dollar Gainer	Warner-Lambert	$ 2.63
Largest Dollar Loser	Bolar Pharmaceutical	$ – 6.00
Largest Percentage Gainer	Leroy Pharmacies	25.71%
Largest Percentage Loser	Bolar Pharmaceutical	– 35.82%

Advances	6
Declines	28
Unchanged	10
New highs	1
New lows	10

	Close 1/23/90	Close 2/5/90	Net Change	Percent Change
Drug Store News Index	2824.26	2770.54	– 53.72	– 1.90
Dow Jones Industrial Average	2615.32	2622.52	7.20	0.28
Standard & Poor's 500-Stock Index	331.61	331.85	0.24	0.07
N.Y.S.E. Composite	183.60	183.35	– 0.25	– 0.14
Value Line Index	244.58	241.19	– 3.39	– 1.39

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 1/23/90	Closing Price 2/5/90	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Arbor Drugs	ARBR	21.00	19.75	– 1.25	– 5.95	19	0.16	0.81	24.75	10.38
OTC	Big B	BIGB	12.63	12.63	0.00	0.00	18	0.16	1.27	15.25	10.63
OTC	Drug Emporium	DEMP	8.75	8.25	– 0.50	– 5.71	13	0.20	2.42	16.38	7.75
NYS	Fay's Inc. (L)	FAY	10.13	8.50	– 1.63	– 16.05	11	0.20	2.35	15.00	8.13
ASE	Genovese Drug	GDX.A	9.75	9.50	– 0.25	– 2.56	13	0.24	2.53	12.88	9.50
OTC	Leroy Pharmacies (H)	LERY	4.38	5.50	1.13	25.71	– 42	0.00	0.00	5.50	2.88
NYS	Longs Drug Stores	LDG	42.00	42.00	0.00	0.00	14	0.96	2.29	48.50	34.50
OTC	Medicine Shoppe	MSII	21.50	20.00	– 1.50	– 6.98	21	0.16	0.80	23.25	16.38
NYS	Perry Drug (L)	PDS	8.25	7.75	– 0.50	– 6.06	11	0.00	0.00	13.50	7.38
NYS	Rite Aid Corp.	RAD	31.38	32.63	1.25	3.98	16	0.88	2.70	41.13	29.50
NYS	Walgreen Co.	WAG	41.88	42.25	0.38	0.90	17	0.80	1.89	50.25	34.25
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	22.50	22.38	– 0.13	– 0.56	13	0.32	1.43	27.25	19.63
OTC	Bindley Western Ind.	BIND	10.13	9.88	– 0.25	– 2.47	16	0.00	0.00	10.75	7.00
OTC	Cardinal Distribution	CDIC	20.50	20.75	0.25	1.22	16	0.08	0.39	25.00	14.38
OTC	Durr-Fillauer	DUFM	21.75	20.00	– 1.75	– 8.05	13	0.24	1.20	24.38	18.00
ASE	Ketchum	KCH	3.00	2.88	– 0.13	– 4.17	– 1	0.00	0.00	7.13	1.63
NYS	McKesson Corp.	MCK	35.63	36.63	1.00	2.81	15	1.44	3.93	39.75	29.63
ASE	Moore Medical	MMD	9.00	8.38	– 0.63	– 6.94	– 3	0.00	0.00	15.13	8.25
NYS	Owens & Minor (L)	OMI	11.63	10.75	– 0.88	– 7.53	20	0.24	2.23	15.63	10.63
Manufacturer's transactions											
NYS	Abbott Labs	ABT	66.00	65.50	– 0.50	– 0.76	17	1.40	2.14	70.38	48.13
NYS	American Home Products	AHP	104.25	104.25	0.00	0.00	15	4.28	4.11	110.25	84.13
NYS	Baxter International	BAX	23.75	23.38	– 0.38	– 1.58	16	0.56	2.40	26.25	18.50
OTC	Block Drugs Co.	BLOCA	35.00	35.00	0.00	0.00	14	0.68	1.94	38.00	30.63
ASE	Bolar Pharmaceutical (L)	BLR	16.75	10.75	– 6.00	– 35.82	6	0.16	1.49	32.25	10.75
NYS	Bristol-Myers Squibb	BMY	53.13	52.75	– 0.38	– 0.71	37	2.12	4.02	58.25	44.50
NYS	Carter-Wallace	CAR	55.00	55.00	0.00	0.00	17	0.80	1.45	60.50	39.13
ASE	Forest Labs	FRX	41.50	40.75	– 0.75	– 1.81	30	0.00	0.00	44.50	26.25
NYS	ICN Pharmaceutical (L)	ICN	5.00	5.00	0.00	0.00	– 24	0.00	0.00	7.00	4.63
ASE	Lee Pharmaceutical (L)	LPH	1.88	1.88	0.00	0.00	– 9	0.00	0.00	5.38	1.75
ASE	P. Leiner Nutrition (L)	PLI	9.75	9.13	– 0.63	– 6.41	14	0.00	0.00	14.25	8.75
NYS	Lilly Eli Co.	LLY	64.13	64.25	0.13	0.19	20	1.64	2.55	69.25	45.88
NYS	Marion Labs	MKC	27.38	25.88	– 1.50	– 5.48	108	0.36	1.39	36.63	22.00
NYS	Merck Co.	MRK	71.88	72.00	0.13	0.17	19	1.80	2.50	80.75	61.25
NYS	Mylan Labs	MYL	19.75	20.00	0.25	1.27	36	0.20	1.00	25.38	7.50
NYS	Par Pharmaceutical	PRX	7.88	7.00	– 0.88	– 11.11	19	0.00	0.00	11.38	3.88
NYS	Pfizer Inc.	PFE	68.50	69.25	0.75	1.09	16	2.40	3.47	75.75	54.00
NYS	Rorer Group	ROR	61.50	61.00	– 0.50	– 0.81	23	0.84	1.38	64.63	36.13
NYS	Schering Plough	SGP	80.50	80.88	0.38	0.47	19	1.80	2.23	87.50	59.25
NYS	Syntex Corp.	SYN	49.75	50.25	0.50	1.01	18	1.48	2.95	54.50	36.50
OTC	Taro-Vit Industries (L)	TAROF	1.13	1.00	– 0.13	– 11.11	33	0.00	0.00	1.88	1.00
NYS	Upjohn Co.	UPJ	35.25	36.88	1.63	4.61	39	1.00	2.71	42.13	27.63
NYS	Warner-Lambert	WLA	108.75	111.38	2.63	2.41	18	3.04	2.73	118.75	77.38
NYS	Zenith Labs	ZEN	0.19	0.19	0.00	0.00	—	0.00	0.00	2.75	0.19
Other retailer transactions											
NYS	Albertson's	ABS	53.25	53.25	0.00	0.00	19	0.80	1.50	60.25	38.63
NYS	American Stores	ASC	58.25	57.75	– 0.50	– 0.86	24	1.00	1.73	72.50	53.00
NYS	Giant Food	GFS.A	26.25	26.25	0.00	0.00	15	0.48	1.83	36.25	22.13
NYS	Great Atlantic&Pacific Tea	GAP	56.25	52.00	– 4.25	– 7.56	0	0.00	0.00	65.38	47.00
NYS	K mart (L)	KM	33.88	34.25	0.38	1.11	9	1.64	4.79	44.88	32.38
NYS	Kroger	KR	13.13	13.25	0.13	0.95	– 7	0.00	0.00	19.75	9.00
NYS	Melville Corp.	MES	43.75	44.00	0.25	0.57	13	1.40	3.18	53.63	39.00
OTC	Fred Meyer (L)	MEYR	17.25	17.00	– 0.25	– 1.45	13	0.00	0.00	23.00	15.25
NYS	Penney, JC	JCP	67.25	66.00	– 1.25	– 1.86	10	2.24	3.39	75.63	50.75
NYS	Smith's Food & Drug	SFD	23.75	23.50	– 0.25	– 1.05	20	0.28	1.19	25.38	20.50
NYS	Wal-Mart	WMT	42.38	41.75	– 0.63	– 1.47	24	0.20	0.48	47.38	30.00

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado

C5150-2

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DRUG STORE NEWS®

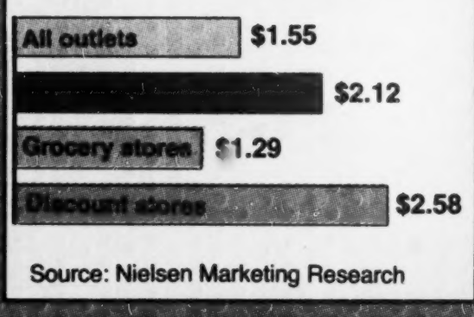
Vol. 12/No. 5 **Our 62nd year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. Mar. 5, 1990

TOP OF WEEK FEATURES

Hair care merchandising

Organizing hair care planograms by full lines instead of category is catching on in major drug chains. Page 27.

Average dollars spent per item purchased per shopping trip



Source: Nielsen Marketing Research

Nielsen looks at consumer behavior

Nielsen's SCANTRACK technology provides insight into consumer buying behavior in 15,000 households. Page 8.

LATE NEWS

• OAK BROOK, Ill. — Dick Boyd resigned as senior vp-pharmacy operations of American Drug Stores to pursue other interests. The former Longs executive returned to his home in Walnut Creek, Calif., shortly after a move by American to consolidate headquarters operations in Oak Brook. Two other executives, president Terry Hanson and vp-administration Alan Barker, have also left in recent months.

• WALNUT CREEK, Calif. — Longs Drug Stores' sales rose 9.6 percent to $2.4 billion for the year ended Jan. 25, while net income was up 9.7 percent to $61.3 million, or $3.03 per share.

• YOUNGSTOWN, Ohio — Phar-Mor signed a lease for its first Phoenix store in the Metro Center Mall, one of two slated to open here this year. Its first Kansas City store opened Jan. 17, and the first St. Louis store Feb. 22.

Nichols dives into deep discounting

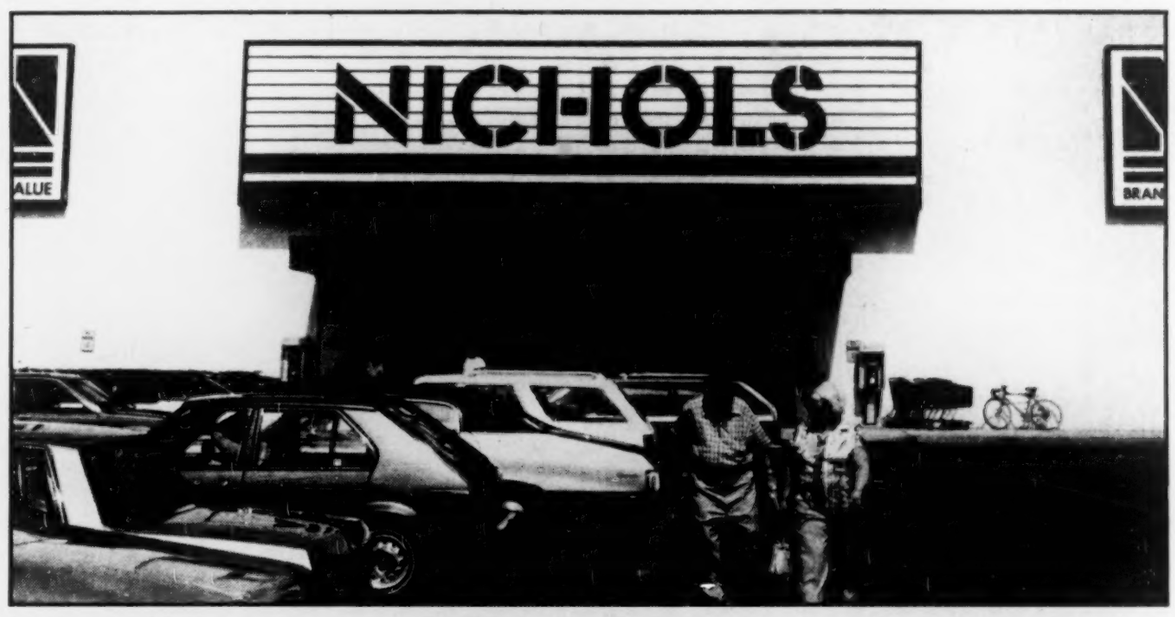
NEW YORK — Taking a new tack, S.E. Nichols, Inc. said it will remake its discount stores into deep discount drug stores.

It will be the first deep discount drug chain created through a conversion from another retail format. Called "Pharmhouse," it will be among the six or seven largest deep discount drug chains.

With stores in rural markets in New York, Pennsylvania, Virginia, Maryland and Delaware, Pharmhouse's toughest hurdle might be educating the consumer on the new health care and pharmacy slant, and putting over a consistent image. About half the Nichols stores have had pharmacies which will now be rolled out chainwide.

"We have a very good pharmacy operation. It's been a growing part of the business," said James Herlihy, sr. vp.-finance.

Said Herlihy: "We're looking to build a significant chain," referring to store roll-out plans after the new format proves itself. The first Pharmhouse will open in an ~~unnamed~~ New York State market in April.



Nichols will change from a discount format to a deep discount drug chain and will be renamed Pharmhouse. The transition is expected to take place in April.

Nichols should complete the conversion of it stores—known now as Nichols Discount City—by October. A handful of 34 stores might be closed, Herlihy said.

The New York City-based company threw in the towel on the discount store business after sustaining several years of operating losses competing

See **Nichols** *page 45*

Giant tests 'bonus buy' promo, cuts cosmetics

By Elizabeth Parks

LANDOVER, Md. — Giant Food, the ranking food chain in the Greater Washington market, is testing and is prepared to expand a new discounting program featuring super low "bonus buy" prices on large sizes of the most popular toiletries.

The program, which one Giant executive described as "super deals," has been in test for about six weeks in approximately seven stores in the metro D.C. market.

Giant's director of public affairs, Barry Scher, says Giant will only roll out the Bonus Buy program if this test is successful.

At press time, however, one well-informed source said Giant hopes to have the program in at least 41 of its approximately 100 combination stores by the end of June. All combination stores should have it within a year, this source said.

Space for the department is coming from Giant's

See **Giant** *page 45*

Hook names veteran executive to top post

Cunningham

INDIANAPOLIS — Thomas Cunningham, a 30-year Hook Drug veteran who most recently served as vp-operations, has been named president of the chain, succeeding Newell Hall, 58, who is retiring.

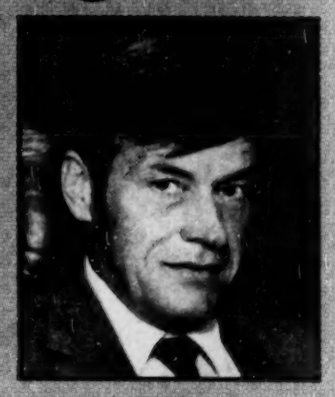
Hall had taken on the top post at Hook three years ago, when former president Douglas Reeves left the company. Though Hook Drug has just named its third president in four years, that's no hint of corporate unhappiness with Hook's performance or of instability at the top, according to sources.

In fact, sources say, Hook's 388 drug stores (and 30 home health stores) have been impressive cash contributors to Hook-SupeRx, Inc., the corporate parent,

See **Hooks** *page 45*

Eck joins Vons; move signals big plans for drug biz

By James Frederick



Eck

EL MONTE, Calif. — Chain drug and supermarket veteran Dennis Eck has left American Stores to become vice chairman and chief operating officer of The Vons Companies, effective Feb. 14. His departure marks a management reorganization at both companies.

Eck's appointment to Vons signals that company's desire to strengthen the pharmacy and drug store side of its business. The chain currently operates 328 stores under the Vons, Pavilions, Pavilions Place and Tianguis logos, including 74 Vons food/drug combos. All new stores—as well as all 43 of its Pavilions and Tianguis units—include pharmacies, and the chain is adding new pharmacies as it remodels older units.

"Dennis Eck brings to Vons extensive experience in the drug store business, more than either of our other two top officers, and that's a big plus for us at this point because we're stressing combos in our growth plans," said Mary McAboy, Vons director of investor relations. "I can't imagine a circumstance where we'd open a non-combo store at this point."

Eck, 47, last served as chairman, chief executive and

See **Eck** *page 45*

Drug Store News' *Store Manager Training and Continuing Education programs help develop store managers and pharmacists. For information, dial (212) 371-9400, x 380.*

SECOND CLASS

NEWS IN BRIEF

Kole to help shape Concord's growth

PONTIAC, Mich. — Perry Drug Stores veteran Mickey Kole has joined 10-store Concord-Wrigley Drugs as president, and will help lead the chain on a more aggressive growth path, according to Concord ceo Alan Stotsky.

Kole left Perry in January 1988 after a long career with the Pontiac-based chain. His last position was drug store division president.

Since then, he has served as president of National Wholesale Drug of Taylor, Mich., and as a consultant to Concord.

Kole

Genovese buys nursing home supplier

MELVILLE, NY — Genovese Drug said it has become a major supplier of pharmaceuticals to nursing homes on Long Island with the purchase by its Genrex Nursing Homes Services division of the Bell and Halpern Nursing Home Company. Herb Kett, sr. vice president, said Genrex now services over 50 facilities.

McK, PCS sued over share acquisition

SAN FRANCISCO — McKesson Corp. and directors of PCS have been named defendants in a class action lawsuit relating to McKesson's proposal to acquire PCS's publicly held shares for $15 per share, the companies announced. The suit alleges, among other things, that McKesson's proposed price is inadequate and seeks to enjoin McKesson's proposal and to collect damages.

PCS's financial and legal advisers and a special committee appointed by its board are evaluating McKesson's proposal. The lawsuit has been referred to legal counsel for review and response.

Arbor expands further into Detroit

DETROIT, Mich. — Arbor Drugs is pushing further into Detroit. The Troy-based chain planned to open its 93rd store and fourth Detroit store on Feb. 17 at Campbell and Vernor streets. Arbor said its signed a lease for a fifth store, and is negotiating with developers for additional sites in the city.

Pulido exits FoxMeyer

MINNEAPOLIS — Mark Pulido has left FoxMeyer Drug Co. where he was most recently executive vice president to become president and chief operating officer at Red Line Medical Supply.

Red Line, a private company, is the country's largest distributor of products and services to nursing homes in 50 states.

Pulido's task at Red Line will be to develop key strategies to promote growth and profits.

McK hosts July show in San Francisco

SAN FRANCISCO — McKesson will hold its 1990 trade show in its headquarters' city here July 13 through 21, and expects more than 2,000 customers to attend the event.

This year's show, being held at the San Francisco Marriott with a "Gold Rush" theme, will include products from 500 vendors, continuing education classes, and new services and programs from Valu-Rite, McKesson Home Health Care, 3PM and McKesson Pharmacy Design.

Safeway goes public again after 3-year turnaround

OAKLAND, Calif. — Three-and-a-half years after a debt-laden management buyout, a leaner and healthier Safeway Stores, Inc. is planning to again go public. The move caps a successful effort by the company to cut its massive debt load, concentrate on its most strategic core markets and improve profitability.

Safeway has filed with the Securities and Exchange Commission to offer 10 million shares of common stock on the New York Stock Exchange, at an expected initial offering price of $13 to $16 a share. Safeway said it will use the proceeds to help fund its planned $3.2 billion capital spending program from 1990 through 1994.

The earnings jump reflects Safeway's success in turning its $4.3 billion leveraged buyout in 1986 into a success story.

Fiscal results

Safeway announced its plans on the same day it released results for its latest fiscal year, in which operating profit jumped 42 percent to a record $463 million on sales of $14.3 billion. Same-store sales for the year were up a robust 5.5 percent, and margins continued to show improvement as a result of "continued better buying practices and the addition of more specialty departments" in stores, according to a spokesman.

The earnings jump reflects Safeway's success in turning its $4.3 billion leveraged buyout in 1986 into a success story. The management-led buyout left Safeway staggering under a huge and pressing debt burden, and triggered a massive downsizing program as it sold off stores around the country to cut debt payments and operating costs.

"It doesn't take an MBA to figure out that a company which had just earned a profit of $231 million could not service debt of $5.7 billion," Safeway chairman Peter Magowan said last year.

Downsizing results

The downsizing took Safeway out of most of its major markets east of California, and reduced its store count by almost half, from more than 2,200 units to 1,117 stores located primarily in the western U.S., the Mid-Atlantic region and western Canada. Among major Safeway assets to go were its southern California stores, to Vons; its Houston and Kansas City store divisions, to local management LBOs; and its 60 Salt Lake City units, to Borman's. Safeway also shed its store divisions in El Paso, Dallas, Little Rock, Ark., and other markets.

In the process, however, Safeway raised enough money from the sales to cut its debt to $3.1 billion from $5.6 billion in 1986, and shed many stores where profits were low and labor union headaches high. The asset sales also enabled the company to concentrate its resources on a few core markets, where it has been able to clean up and remodel stores, raise prices to boost margins and cash flow, and boost capital spending to improve its market share.

Thus, Safeway now makes more in profits on a $14 billion sales base than it did on a pre-LBO base of $20 billion, when its store count was nearly twice as large. In addition, return on assets has gone from 13.5 percent to more than 20 percent; all divisions are "highly profitable," according to Magowan, and the chain now ranks first or second in all its remaining markets.

"The LBO process itself caused us to transform the company into a truly excellent one," Magowan said last year. "The discipline of paying down the enormous debt we owed forced us to set high hurdle rates for performance and new capital spending."

In addition, the chairman said, "The transformation of our operators from being managers to being co-owners of the business may have been the most powerful stimulus of all."

Retail analysts who follow Safeway also rate it one of the more successful LBOs. "Safeway is an LBO that's really worked," said Jonathan Ziegler of Sutro & Co.

"Safeway has come back to profitability quite nicely," added Kimberly Walin of Prudential-Bache.

Safeway raised enough money from the sales to cut its debt to $3.1 billion from $5.6 billion in 1986, and shed many stores where profits were low.

The pending stock sale is expected to raise at least $1.3 billion. Such a sum would be a bonanza for the original LBO investors, including Kohlberg Kravis Roberts & Co., the investment banking firm. KKR and other investors, including company insiders, originally invested roughly $175 million in equity to take the chain private, and stand to reap huge rewards if Wall Street supports the $13 to $16 price tag for the stock.

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NACDS conference tackles '90's issues

SAN ANTONIO, Texas — "Sell more drugs, have more fun," was the fevered chant heard at a conference last month at the Marriott Rivercenter Hotel here.

No, it wasn't members of Colombia's Medellin cocaine cartel, but chain drug retailers attending NACDS's annual Small Chain Conference for companies with less than 50 stores and sales under $100 million.

The retailers were being stirred up by Frank Meeks, franchise owner of more than 35 Domino's Pizza outlets, including six of the top 10 stores in the world.

Meeks spoke of his success retaining both customers and employees, an issue that many drug retailers are grappling with. Meeks runs monthly managers meetings like pep rallies and frat parties, and the chant he introduced to the retailers was a variation of his "sell more pizza, have more fun" rap that he leads at these

Continued on page 41

Rick Zapp, president of Ralston Drug in Houston, chats with Bill Eames, chairman and ceo of Bill's Drugs in Benicia, Calif., and Don Zapp, Ralston's chairman.

SCANTRACK data released:

Nielsen looks at consumer behavior

Nielsen Marketing Research in January marked the first anniversary of its SCANTRACK National Household Electronic Panel, a service that electronically measures consumer purchasing behavior across the country.

The Nielsen panel encompasses 15,000 households in 1,140 counties. The size of the sample means the information gathered is projectable on both a national and regional basis.

In the first year of data collection the Nielsen research service recorded information on more than 1 million shopping trips, 41 percent of which took place in nonfoods outlets, such as drug stores.

The information on purchasing behavior is recorded by household panel members themselves. After every shopping trip, the person who made the purchases uses a handheld electronic device with a wand scanner to record information such as the name of the store, items purchased, price of the items, age and sex of the shopper, and other variables. The identity of each purchase is recorded by passing the wand over the UPC bar code on the package. Once a week the information is transmitted electronically via telephone to Nielsen.

Of the 15,000 households, 5,000 in 23 major markets are metered for television viewing, which allows Nielsen to measure the impact of TV advertising on brand choice.

The charts on this page are drawn from a year's worth of data from its SCANTRACK service.

Drug store shopping for selected product categories

	% of shopping trips	% of dollars spent
Monday	14.0%	13.7%
Tuesday	13.7	13.1
Wednesday	14.1	13.8
Thursday	15.1	14.6
Friday	15.1	15.1
Saturday	16.8	17.8
Sunday	11.1	11.8

Source: Nielsen Marketing Research

Percentage of dollars spent

	All outlets	Drug stores	Index
All buyers	100.0%	100.0%	
Household size			
1	15.5%	20.9%	139
2	30.4	36.2	119
3-4	39.6	33.3	84
5+	14.9	9.6	64
Income			
>$2K	15.9%	17.3%	109
$12-25	26.4	27.7	105
$25-40	23.9	22.7	95
$40K+	33.7	32.3	96
Age of homemaker			
>35	30.1%	24.9%	83
35-44	25.6	24.0	94
45-54	15.9	15.1	95
55-64	13.9	16.8	121
65+	8.5	11.9	140
Presence of children			
None >18	54.4%	65.6%	121
Any >18	45.6	34.4	75
Any >6	20.0	13.8	69
Any 6-12	25.7	18.2	71
Any 13-17	17.9	14.1	79

Items and dollars per shopping trip

	Items* per shopping trip	Dollars per item	Dollars per shopping trip
All outlets	12.1	$1.55	$18.70
Drug stores	4.9	2.12	10.40
Grocery stores	15.9	1.29	20.50
Discount stores	7.1	2.58	18.30

*UPC-coded items only

Source: Nielsen Marketing Research

Percentage of dollars spent

	All outlets	Drug stores	Index
Occupation			
Professional	32.9%	32.8%	100
White collar	11.8	13.4	114
Blue collar	31.2	24.6	79
Not in work force	24.1	29.2	121
Female employment			
Employed	53.8%	52.0%	97
Full-time	37.3	38.3	103
Part-time	16.6	13.6	82
Not employed	40.2	40.7	101

Source: Nielsen Marketing Research

Regional: Drug store customers & dollars spent

Census region	% of U.S. households	% of drug store Buyers	% of drug store Dollars	Index Buyers	Index $
North	21.1%	21.8%	21.0%	103	100
Central	24.7	23.3	24.3	94	98
South	34.3	34.7	28.1	101	82
West	19.8	20.2	26.6	102	134

Source: Nielsen Marketing Research

Distribution of drug store dollars spent: Selected product categories

	Total U.S.	Census region North	Central	South	West
Dry grocery	13%	12%	14%	11%	16%
Frozen foods	1	*	1	1	1
Dairy	1	*	1	1	1
Beverages	15	6	17	16	18
Household	13	11	13	12	15
H&BAs	57	70	54	59	48
Pet foods	1	1	1	*	3

*less than 1 percent

Source: Nielsen Marketing Research

BEAUTY TRENDS

Hair care merchandising's a FAMILY AFFAIR

Organizing hair care planograms by full lines instead of by category is catching on in major drug chains.

By Elizabeth Parks

Peoples Drug has become one of the first major drug chains to begin merchandising all major hair care lines by family rather than category segment. The new planogram was implemented in January; it presents all Flex together, all Studio Line together, all Salon Selectives together, and so on.

"We did it because we felt it was the most logical way for consumers to shop," said Vicki Williams, vp-cosmetics at Peoples.

"I think this is the way consumers buy hair care products. The way we were merchandising hair care was a hodgepodge. Shampoos and conditioners were in one place, gels and mousses were in another place and hair sprays were somewhere else. But people don't shop hair care by department, they shop by brands," she added.

In Detroit, Perry Drug has just begun to test a family set for hair care. It is presenting families by blocks, just as they do in their new skin care set. The test, which began in January, is limited to three semi-professional lines, all located in the mass hair care set in the higher-priced segment of the planogram.

Perry has organized the Jhirmack, Salon Selectives and Redmond Aussie products as family lines. Everything is merchandised by family from shampoos to styling aids.

Scott Gorley, assistant vp for H&BA marketing/merchandising at Perry, said the test will probably last about six months, and when it ends Perry should know whether this approach has lost sales or created incremental sales. Gorley thinks it will probably grow sales, because people should find it easier to shop for companion products.

This year, many buyers say they expect hair care sales to go up, but not dramatically. In the past year, category growth for most chains seemed to be hovering between 4 percent and 7 percent on average.

Some sources say they've seen their growth in hot categories like styling aids and professional or semi-professional products slow down considerably, as these segments approach what may be their maturity. But these are still the fastest growing segments in hair, buyers say, up between 8 percent and 10 percent on the average. A few years ago, however, they were generating more dramatic growth.

This year, many buyers

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Chain drug stores versus independents: Comparison of hair care growth and share of sales by segment

(Sales in millions of dollars, for the 10 months ended Oct. '89)

	Chain sales	% chng	Chain share	Indy sales	% chng	Indy share
After shampoo	$ 243.3	5.9%	86%	$ 33.4	(16.9)%	14%
Shampoo	280.7	10.6	82	61.3	(11.5)	18
Hair color	222.2	6.9	87	31.9	(7.7)	13
Fixatives	141.1	2.7	85	24.3	(15.9)	15
Ethnic	123.9	5.7	89	15.3	(15.8)	11
Men's hair preps	36.0	2.8	82	7.8	(15.3)	18
Perms/waves	46.9	3.9	86	7.5	(15.4)	14
Mousse	32.7	(4.3)	85	5.8	(23.6)	15
Total hair care	1,093.0	7.2	85	187.5	(13.6)	15

Source: Nielsen Marketing Research

'I think this is the way consumers buy hair care products. The way we were merchandising. . . was a hodgepodge. Shampoos and conditioners were in one place, gels in another. . . . people don't shop hair care by department, they shop by brands.'

— Vicki Williams, Peoples